

## ENVIRONMENTAL IMPROVEMENT FUND

Budget Summary					FTE Position Summary
Fund	2012-13 Adjusted Base	Request		2013-15 Change Over Base Year Doubled	Positions for the Environmental Improvement Fund program are provided under the Departments of Administration and Natural Resources.
		2013-14	2014-15	Amount %	
GPR	\$40,248,500	\$40,248,500	\$40,248,500	\$0 0.0%	
SEG	8,000,000	8,000,000	8,000,000	0 0.0	
TOTAL	\$48,248,500	\$48,248,500	\$48,248,500	\$0 0.0%	
BR		\$7,100,000			

### Major Request Items

#### 1. GENERAL AND REVENUE OBLIGATION BONDING AUTHORITY

BR	\$7,100,000
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Request an increase in general obligation bonding authority of \$7,100,000 for the safe drinking water loan program within the environmental improvement fund, as shown in the table. No new general obligation or revenue obligation bonding authority is requested for the clean water fund program. Revenue obligations are issued to provide financial assistance for municipal wastewater facility projects in the clean water fund program. State revenue bonds are retired primarily through repayments of program loans and issuance of general obligation bonds to pay for the state subsidy costs of low-interest loans in the clean water fund program. General obligation bonds are also issued to pay for the 20% state match to the federal capitalization grants for the clean water fund program and the safe drinking water loan program.

#### Environmental Improvement Fund (EIF) Bonding Authority

	<u>Current</u>	<u>Request</u>	<u>Total</u>
Clean water fund program general obligation	\$783,743,200	\$0	\$783,743,200
Safe drinking water loan program general obligation	<u>54,800,000</u>	<u>7,100,000</u>	<u>61,900,000</u>
Subtotal General Obligation Bonding	\$838,543,200	\$7,100,000	\$845,643,200
Clean water fund program revenue obligation	<u>2,716,300,000</u>	<u>0</u>	<u>2,716,300,000</u>
Total Bonding Authority	\$3,554,843,200	\$7,100,000	\$3,561,943,200

The clean water fund program provides low-interest loans to municipalities for planning, designing, constructing or replacing a wastewater treatment facility, or for nonpoint source pollution abatement or urban stormwater runoff control projects. The safe drinking water loan program provides financial assistance to municipalities for the planning, design, construction or

modification of public water systems.

## 2. PRESENT VALUE SUBSIDY LIMIT

Request a "present value subsidy limit" totaling \$106.3 million for the environmental improvement fund as shown in the table. The subsidy limit represents the estimated state cost, in 2013 dollars, to provide 20 years of state subsidy for the projects that would be funded in the 2013-15 biennium, that is, for the state to pay the difference between the actual low-interest state loan and a market rate loan. DNR and DOA estimate environmental improvement fund project demand of \$802.4 million for the 2013-15 biennium. The requested present value subsidy limit is based on an assumption that federal grants for the program will continue to allow principal forgiveness. However, state statutes would need to be amended to allow principal forgiveness with federal grants received after federal fiscal year 2011. DNR and DOA did not request this change in their budget submission.

### EIF Present Value Subsidy Limit

	2011-13 <u>Authorized</u>	2013-15 <u>Request</u>
Clean water fund program	\$69,200,000	\$76,700,000
Safe drinking water loan program	30,700,000	29,600,000
Land recycling loan program	<u>0</u>	<u>0</u>
Total	\$99,900,000	\$106,300,000

No present value subsidy limit is proposed for the land recycling loan program. The land recycling loan program provides financial assistance to certain local governments for the investigation and remediation of contaminated (brownfields) properties. Of the \$20 million authorized for the program, up to \$6.2 million may be loaned to the dry cleaner environmental response fund for reimbursement of cleanup costs at contaminated dry cleaner sites.

## 3. DEBT SERVICE COSTS

While no increase is requested for the GPR sum-sufficient appropriations for debt service costs for general obligation bonds issued for the environmental improvement fund, a reestimate of obligations will be included in the Governor's budget. Debt service payments from 2010-11 through 2012-13 are shown in the table. Clean water fund program general obligation bond debt service is also paid from a sum certain SEG appropriation that receives a portion of loan repayments from municipalities from loans that were originally provided from the proceeds of general obligation bonds. The land recycling loan program is funded from clean water fund loan repayments of loans that were originally made with the proceeds of federal grants, and does not have a separate general fund debt service cost.

### Environmental Improvement Fund Debt Service Expenditures

	<u>GPR Clean Water Fund Program</u>	<u>SEG Clean Water Fund Program</u>	<u>Safe Drinking Water Loan GPR</u>	<u>Total</u>
2010-11 Actual	\$37,509,300	\$9,000,000	\$1,656,100	\$48,165,400 *
2011-12 Actual	20,540,300	8,000,000	1,560,200	30,100,500 *
2012-13 Budgeted	43,417,000	8,000,000	4,831,500	56,248,500

\*Expenditures are lower than otherwise would have occurred in 2010-11 and 2011-12 because of the deferral of principal payments on the state's general obligation debt programs.